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HOW SECRET IS SECRET ENOUGH? THE NEED TO CLARIFY OHIO'S "REASONABLE EFFORTS TO MAINTAIN SECRECY" STANDARD

By: Matthew M. Allen

"The property in a secret process is the power to make use of it to the exclusion of the world. If the world knows the process, then the property disappears."

I. INTRODUCTION

Trade secret law, for all its complexities and controversies, strives to rectify a fundamental human dilemma: secrets are difficult to keep. Of course, not all secrets are made equal. However, the human dilemma, regardless of the secret's magnitude, remains the same. Information, especially secret information, is shared for any number of reasons. Secret information is shared to help others and expand human knowledge. Secret information is also shared for personal gain and other questionable reasons.

The sharing of information intended to be kept secret is an age-old problem rooted in humanity's very nature. Robin Dunbar, a renowned anthropologist and evolutionary psychologist, once reasoned that gossip "is the core of human social relationships, indeed of society itself. Without gossip, there would be no society. In short, gossip is what makes human society as we know it possible."

The sharing of trade secrets is not exactly akin to "gossip." "Gossip," in a modern sense, connotes a sense of frivolousness. Nonetheless, Dunbar's fundamental assertion remains the same. The sharing of information, particularly "forbidden" information, is arguably a quintessential human trait. In the context of trade secret law, the unique impulse to divulge protected information can be particularly strong. The lure of sharing trade secrets is heightened by a number of situational factors. Chief among those factors is the opportunity for personal gain and a strong sense that the protected information is the rightful property of the talebearer.

In the interest of economic development, laws have been enacted to safeguard secrets in the commercial realm. Trade secret laws, which have existed in the United States since the early 19th century, are the legal instruments by which businesses protect sensitive commercial information from the human tendency to share. As stated in the 1939 First Restatement of Torts, trade secrets are, generally speaking, "any formula, pattern, device or compilation of information which is used in

one's business, and which gives [the owner] an opportunity to obtain an advantage over competitors who do not know or use it."

Ohio, along with most other jurisdictions, has developed a robust jurisprudence aimed at defining trade secrets. Protection of trade secrets, however, does not stop with mere recognition of the secret. The requirement that businesses engage in reasonable efforts to maintain the secrecy of a trade secret is a real-world problem many Ohio businesses fail to understand. Uncertainty surrounding the standard has left many businesses directionless when it comes to protecting the trade secrets that ensure their very livelihood.

The Northern District of Ohio's holding in *Orthofix, Inc. v. Hunter* highlights the ambiguity of the reasonable efforts to maintain secrecy standard. In *Orthofix v. Hunter*, the Northern District held that a potentially viable trade secret could not receive protection under the Ohio Uniform Trade Secrets Act (OUTSA) because the employer failed to engage in reasonable efforts to protect the secrecy of the trade secret. The Northern District reached this holding despite the fact that, as discussed below, the plaintiff made numerous efforts to protect its proprietary information. Unlike the vast majority of the OUTSA, the reasonable efforts standard is one area of the Act "where judges are free to exercise their traditional roles and develop a common law meaning of reasonable efforts." The Northern District's holding in *Orthofix v. Hunter* illustrates the Ohio judiciary's increasingly stringent approach to the OUTSA's reasonable efforts standard.

The livelihood and competitive edge of thousands of Ohio businesses depend on the ability to protect trade secrets. Indeed, protection of American trade secrets, as a whole, recently has been recognized as an issue of national importance by the United States Government. The physiological and sociological tendency of humans to share forbidden information is inherently difficult to overcome. By recognizing concise actions that businesses can take to satisfy the reasonable efforts standard, Ohio courts—through a multifactor test—can foster much needed clarity and further protect Ohio's economic interest.

Although significant efforts have been made, the development of trade secret laws largely have failed to address a critical aspect of secrets. People do not want to keep information secret, and it is often very difficult to stop them from revealing what they know. This Comment focuses on a significant gap in Ohio's trade secret jurisprudence. It specifically addresses the increasingly narrow interpretation under Ohio's Uniform Trade Secrets Act that business must "make efforts that are reasonable under the circumstances to maintain [a trade secret's] secrecy" to achieve trade secret protection. Further, this Comment argues that Ohio courts should adopt a clear

multifactor test for establishing when employers put forth reasonable efforts to maintain secrecy. Part II of this Comment outlines the historic development of Ohio's trade secret jurisprudence. Part III considers the ebbs and flows of Ohio's approach to the reasonable efforts to maintain secrecy standard. Part IV analyzes the Northern District of Ohio's decision in *Orthofix v. Hunter*. Part V articulates why Ohio's ambiguous and increasingly strict approach to the standard creates substantial problems for Ohio businesses. Finally, Section VI argues that Ohio courts should adopt a clear multifactor test to be used for determining if a business has put forth reasonable efforts to maintain the secrecy of a trade secret.

II. THE OHIO UNIFORM TRADE SECRETS ACT

One of the earliest common law recognitions of trade secret protection under Ohio law came from one of the state's most revered legal minds, William Howard Taft. Taft's early development of Ohio trade secret law began in the first year of his political and judicial career—a career that would eventually span to the White House and the Supreme Court of the United States. In 1887, while on the Cincinnati Superior Court, Taft issued what one scholar described as a “self-consciously path-breaking opinion” that, in many regards, revolutionized American trade secret law. In *Cincinnati Bell Foundry Company v. Dodds*, Taft reasoned, “I am inclined to think that [the defendant's] obligation to preserve such secret as the property of his employer must be implied, even though nothing was said to [the defendant] on the subject.” Taft's theory—that trade secret protection could be implied without express contract or efforts to protect the secret—initially gained support across the country. However, by the mid-20th century, judicial deference towards the protection of corporate trade secrets began to wane. The notion that employees could be prevented from disclosing proprietary information when the employer did not engage in efforts to maintain the information's secrecy lost traction.

Under Ohio's common law trade secret tradition, trade secrets generally were defined as “a plan or process, tool, mechanism, or compound, known only to its owner and those of his employees to whom it is necessary to confide it, in order to apply it to the uses for which it is intended.” In fact, the Supreme Court of the United States once praised Ohio for developing “the widely relied-upon definition of a trade secret.” By the end of the 20th century, however, as trade secret disputes increased throughout Ohio and the rest of the country, Ohio lawmakers considered adopting a state specific version of the Uniform

Trade Secret Act.

In 1994, the Ohio General Assembly joined an increasingly popular national trend by enacting the OUTSA. Although slightly different, the OUTSA is modeled and heavily influenced by the Uniform Trade Secrets Act (UTSA). First published in 1979 by the Uniform Law Commission, UTSA was drafted to amalgamate trade secret law amongst the states. Influenced by the growing prevalence of trade secret disputes and the disparity of protection such secrets received throughout the country, the Uniform Law Commission prudently reasoned that a uniform approach to protecting trade secrets was necessary.

In 1971, a seminal article from the University of Pennsylvania Law Review reasoned that, “under technological and economic pressures, industry continues to rely on trade secret protection despite the doubtful and confused status of both common law and statutory remedies. Clear, uniform trade secret protection is urgently needed.” As of January 1, 2015, forty-seven states and the District of Colombia have adopted a version of the UTSA. Only Massachusetts, North Carolina, and New York continue to rely solely on common law standards for trade secret regulation.

The OUTSA defines a trade secret as:

(D) [I]nformation, including the whole or any portion or phase of any scientific or technical information, design, process, procedure, formula, pattern, compilation, program, device, method, technique, or improvement, or any business information or plans, financial information, or listing of names, addresses, or telephone numbers, that satisfies both of the following:

(1) It derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use.

(2) It is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.

Although enactment of the UTSA intended to amalgamate trade secret laws across the United States, the law, in all its variations, achieved mixed results. State courts continue to rely on previously developed common law understandings of trade secret law, even after states passed versions of UTSA. This fostered some prevailing uncertainties. For example, Ohio courts long have employed a six-factor test to determine the existence of a trade secret, which differs slightly from the OUTSA’s definition. When determining the existence

of a trade secret, the Ohio Supreme Court has held that courts must look to:

(1) The extent to which the information is known outside the business; (2) the extent to which it is known to those inside the business, i.e., by the employees; (3) the precautions taken by the holder of the trade secret to guard the secrecy of the information; (4) the savings effected and the value to the holder in having the information as against competitors; (5) the amount of effort or money expended in obtaining and developing the information; and (6) the amount of time and expense it would take for others to acquire and duplicate the information.

Notably, Ohio's six-factor test differs from the OUTSA's definition of a trade secret. For example, the statute makes no reference to inquiries about the economic value of the purported trade secret. Regardless, as the Supreme Court of Ohio held in 2008, by adopting the Uniform Trade Secrets Act, with the express purpose 'to make uniform the law with respect to their subject among states,' the [Ohio] General Assembly has determined that public policy in Ohio, as in the majority of other jurisdictions, favors the protection of trade secrets. . . ." Recent developments, however, in Ohio's trade secret jurisprudence call into question the state's purported commitment to "the protection of trade secrets."

III. DEVELOPMENT OF OHIO'S REASONABLE EFFORTS TO MAINTAIN SECRECY STANDARD

Prior to the enactment of the OUTSA, Ohio courts and courts around the country recognized that businesses and corporations did not have to establish unconditional secrecy to garner trade secret protections. Of course, the notion that businesses must engage protectionist activities to garner trade secret protection has existed since such protection was recognized in the First Restatement of Torts published in 1939. As one trade secret scholar noted:

This concept [of the reasonable efforts standard] is not new. The [First] Restatement of Torts recognized the need for the owner of a trade secret to take reasonable steps to protect the secrecy of the information. The comments to section 757 note that, in establishing whether given information is a trade secret, one must consider "the extent of measures taken by him [the owner] to guard the secrecy of the information. . . ."

The comments further recognize this need by noting that a “substantial element of secrecy must exist, so that, except by the use of improper means, there would be difficulty in acquiring the information.” The Act, however, formalizes the requirement of secrecy to a much greater extent than did the Restatement.

While other variations of this standard existed prior to the 1980s, it was around that time that the Ohio judiciary’s reasonable efforts to maintain secrecy standard began to develop into a robust and, at times, confusing standard. In 1981, ten years prior to the enactment of the OUTSA, the Southern District of Ohio held in *CPG Products Corp. v. Mego Corp.* that “the ‘secrecy’ requirement in trade secret law is not a demand of absolute secrecy. Basically, the courts are concerned with whether the trade secret owner has taken reasonable measures to protect his confidential information.”

Then, in 1984, the Supreme Court of Ohio further developed the secrecy requirement, and held in *Water Mgt., Inc. v. Stayanch* that “there is no presumption that any particular idea imparted to or acquired by an employee is a trade secret unless the possessor takes active steps to maintain the secrecy.” Curiously, the Supreme Court of Ohio, in establishing the “active steps” requirement, cited *E.R. Moore Co. v. Ochiltree*, a 1968 decision from the Montgomery County Court of Common Pleas. Notably, the *E.R. Moore Co. v. Ochiltree* decision does not make any reference to an “active steps” requirement. Rather, in *Ochiltree*, the court simply held that the plaintiff was not entitled to trade secret protection because “the employer failed to prove that any thereof is in fact a trade secret.” How exactly the Supreme Court of Ohio established the “active steps” requirement is uncertain. As far as can be determined, the Supreme Court of Ohio’s holding in *Water Mgt., Inc. v. Stayanch* is the first decision from any jurisdiction to implement an “active steps” protection requirement.

The difference between the Supreme Court of Ohio and the Southern District of Ohio’s early interpretations of the pre-OUTSA secrecy standard is slight, yet important. The Supreme Court of Ohio’s “active steps” requirement differs—when considered in the real world context of trade secret protection—from the Southern District’s reasonable measures standard. The requirement that a business must go forth and actively maintain secrecy is inherently different from a requirement that reasonable efforts be taken to protect secrecy, which could include, as many businesses might desire, passive efforts such as non-disclosure agreements. It can be argued that making employees sign non-disclosure agreements constitutes an “active step,” it does, after all, require some of activity. However, Ohio precedent indicates that there

are degrees of “activity” in trade secret protection efforts. While non-disclosure agreements are active in a sense, they differ greatly from trade secret protections such as physically securing trade secret information or retrieval of trade secret information.

In 1985, the Southern District recognized the “active steps” requirement adopted by the Supreme Court of Ohio in *Water Mgt., Inc. v. Stayanch*. However, in 1986, the Supreme Court of Ohio further complicated the standard in *Valco Cincinnati, Inc. v. N & D Machining Serv., Inc.* In *Valco*, the court held that a trade secret “is presumed to be secret when the owner thereof takes measures designed to prevent it, in the ordinary course of business, from being available to persons other than those selected by the owner to have access thereto for limited purposes.” The Ohio Supreme Court’s *Valco* holding also provided that “a trade secret cannot be acknowledged as such unless the manufacturer has initiated measures designed to insure the security of those things considered trade secrets.”

Arguably, however, the *Valco* requirement of “initiated measures” in “the ordinary course of business” differs from the “active steps requirement.” The question that naturally arises when considering these different standards is how diligent businesses must be in their efforts to maintain secrecy. One could argue that a traditional non-disclosure agreement, signed by employees at the start of employment, is an initiated measure.

Throughout the 1980s, Ohio courts struggled to reach a consensus on the appropriate standard to apply. Ohio’s trade secret jurisprudence from the late 1980s onward vacillates between requiring businesses to actively protect trade secrets and reasonably protect trade secrets through the course of ordinary business. Again, this distinction may seem trivial in the larger context of trade secret law. However, inability to settle on a concrete standard directly affected, and continues to affect, the ability of businesses to comply with increasingly stringent trade secret standards. Simply stated, the lack of a clear definition of reasonable efforts leaves Ohio businesses wondering what exactly must be done to gain trade secret protection.

In the mid-1990s, courts across Ohio seemingly adopted the reasonable efforts in the ordinary course of business standard provided in *Valco Cincinnati, Inc. v. N & D Machining Serv., Inc.* For example, in regards to misappropriation of customer lists protected by Ohio trade secret law, Ohio’s Tenth District Court of Appeals held in 1996 that “there is a presumption of secrecy regarding a customer list when an owner thereof takes measures to prevent it, in the ordinary course of business, from being available to persons other than those selected by the owner.” However, the largely unspoken debate over the “active

steps” requirement did not vanish from Ohio’s underlying trade secret debate.

Ultimately, in 1997, the Southern District of Ohio seemed to temporarily settle on a concrete and uniform variation of the standard. In *Hoffmann-La Roche Inc. v. Yoder*, the Southern District of Ohio proffered the following summation of Ohio’s approach to the reasonable efforts standard under the OUTSA and Ohio’s common law trade secret jurisprudence:

There is no presumption that any particular idea imparted to or acquired by an employee is a trade secret unless the possessor takes active steps to maintain its secrecy. *Water Management, Inc.*, 15 Ohio St.3d at 85-86, 472 N.E.2d 715. The Ohio Supreme Court reaffirmed this principle in *Valco*, stating, “a trade secret cannot be acknowledged as such unless the manufacturer has initiated measures designed to ensure the security of those things considered trade secrets.” *Valco*, 24 Ohio St.3d at 46-47, 492 N.E.2d 814. See also *Sonkin & Melena Co., L.P.A., v. Zaransky*, 83 Ohio App.3d 169, 182, 614 N.E.2d 807 (1992) (“A party claiming a trade secret must take affirmative steps to protect whatever information it deems secret before relief can be granted.”).

In *Hoffmann-La Roche Inc. v. Yoder*, plaintiff Hoffmann-La Roche Inc. (Roche), a national pharmaceutical company, sued defendant Frank W. Yoder, M.D. (Dr. Yoder) for misappropriation of trade secrets relating to the controversial anti-acne drug Accutane. Dr. Yoder, who worked for the National Institute of Health before moving to Ohio, was one of many doctors around the country paid by Roche to conduct Accutane clinical trials.

After moving to Ohio, Dr. Yoder sold an advertisement highlighting the dangers Accutane posed to pregnant women along with various Roche documents to an Ohio newspaper. Subsequently, Roche sued Dr. Yoder for misappropriation of trade secrets, which included: “(1) protocols for clinical trials or materials related directly thereto, (2) investigational drug brochures, and (3) correspondence between Roche and Dr. Yoder.” The crux of the dispute before the Southern District was whether Roche engaged in reasonable efforts to maintain the secrecy of its proprietary information.

To determine the reasonableness of Roche’s efforts to maintain secrecy, the Southern District considered six different actions, or, in this case, omissions, that could potentially satisfy the reasonable efforts standard. To begin, the court considered the “absence of a written or

oral [confidentiality] agreement” between Roche and Dr. Yoder. The court found that although Dr. Yoder had not signed or orally formed a confidentiality agreement, such an omission was not determinative of the case. At the time of the litigation, it was not common practice for the pharmaceutical industry to implement confidentiality agreements. As such, the court stated that the “standard under the Ohio Trade Secrets Act is one of reasonability under the circumstances, and . . . that the custom of the industry certainly influences what is reasonable.”

Next, the court considered the “absence of facial markings indicating confidentiality.” Although such markings were not present on the vast majority of the Roche documents, the court noted, “one of the primary facets of a trade secret document control policy is some kind of facial indicia indicating that the document is in fact confidential.” The court then looked at the “wide-spread dissemination of the materials” Roche provided to Dr. Yoder. Limited availability of information, as the court recognized, has always been a critical component for garnering trade secret protection under Ohio law.

The court also examined the “lack of internal and external controls” Roche enacted to prevent dissemination of the alleged trade secret information. As the court noted, common measures used to protect trade secrets include: “denial of plant access to employees, limiting admittance through a buzzer lock system, maintaining files in a locked and secure area, restricting the use and disclosure of information to outsiders and placing proprietary markings on such information.” On this issue, the court found that Roche had “no system of document retrieval.” Specifically, the court recognized that while Roche retrieved other property from Dr. Yoder, the company failed to retrieve the alleged trade secret information. Finally, the court acknowledged that although Roche was aware Dr. Yoder intended to sell the trade secret documents and write an op-ed on the dangers of Accutane, Roche made no efforts to prevent Dr. Yoder’s actions before pursuing litigation. Ultimately, the court held that Roche’s actions, considered in their entirety, failed to satisfy the reasonable efforts to maintain secrecy prong of the OUTSA.

For all of the back and forth between Ohio courts concerning which standard should apply, it should not be forgotten that “the purpose of Ohio’s trade secret law is to maintain commercial ethics, to encourage invention, and to protect employers’ investments and proprietary information.” Unfortunately, this sentiment has been lost in recent trade secret decisions from Ohio courts. In *Roche*, the Southern District provided a road map for Ohio businesses to follow to ensure satisfaction of the OUTSA’s reasonable efforts standard. Of course, the *Roche* factors are not universally applicable to every trade secret situation.

However, when the *Roche* factors are followed, or followed to the greatest extent possible, Ohio courts should defer to the intent of the OUTSA—the protection of employer investments and proprietary information.

IV. RECENT DEVELOPMENTS: *ORTHOFIX, INC., v. HUNTER*

Orthofix, Inc., v. Hunter, a controversial 2014 decision from the Northern District of Ohio, highlighted the growing ambiguity surrounding Ohio's reasonable efforts to maintain secrecy standard. In *Orthofix*, the court opined that the trade secrets in question could have garnered legal protection, if not for the plaintiff's relaxed approach to protecting the secrets. Taken in the context of Ohio's trade secret jurisprudence, this case illustrates a notable erosion of the judiciary's tendency to find that businesses have taken reasonable efforts to maintain secrecy.

As with many trade secret disputes, the *Orthofix* decision involved employees appropriating customer information from previous employers to utilize with a new employer. In *Orthofix*, defendant Eric Hunter worked for plaintiff Orthofix Inc. as a bone growth stimulator salesman from 2000 until 2012. In 2012, Hunter, along with his associate, Bob Lemanski, approached Orthofix with a request to become independent distributors for Orthofix “rather than W-2” employees.” Orthofix promptly denied Hunter's request, which provoked a chain of events the Northern District ultimately described as a “stab in the back.” After being denied an independent distributor position, Hunter quit Orthofix “via a middle-of-the-night email and joined Orthofix's competitor, DJO [DonJoy Orthopedics], that same morning.” Subsequently, Orthofix brought suit against Hunter alleging misappropriation of Orthofix's trade secret information, breach of contract, and tortious interference with Orthofix's client contracts.

Ultimately, Orthofix succeeded on the tortious interference claim, but failed on the trade secret and breach of contract claims. Evidence presented to the Northern District suggested Hunter and Lemanski conspired to leave Orthofix for a number of weeks before consummating their departure. The two salesmen, along with a representative from DJO, concocted a plan to join “DJO yet avoid legal issues presented” by their employment agreements with Orthofix.” Ultimately, the court found that “Hunter left Orthofix because Orthofix would not engage him as an independent distributor and because he could make more money with DJO.”

After Hunter's departure, one of Orthofix's experts estimated the company suffered \$1,623,877 in lost profits “for accounts serviced by

Hunter and Lemanski.” Furthermore, Orthofix’s revenue from the sale of bone growth simulators, in Hunter’s former territory, “decreased by \$2,224,490 from 2012 to 2013.” The significant decreases in sales and profits after Hunter’s departure, argued Orthofix, were a direct result of Hunter’s misappropriation of trade secrets.

Orthofix alleged that Hunter used confidential information, colloquially referred to as “The Playbook,” to solicit sales from Orthofix clients. The court described Orthofix’s playbook as an “aggregate of information collected by an Orthofix sales representative about the physicians in his or her territory” Orthofix’s playbook included client information such as: staff contacts, physician schedules, physician preferences, information about which physicians believe or do not believe in bone growth stimulation, the prescribing habits of physicians, extensive customer lists, and sales data that included the order history of physicians, sales volume data, and wholesale pricing information used to lure clients at an initial reduced price. Evidence presented to the court indicated Hunter collected a majority of the information during his tenure with Orthofix. However, other Orthofix employees provided a substantial portion of the information over the years.

As in any sales oriented endeavor, Orthofix argued that protection of sensitive client information is paramount for maintaining an edge over competitors. Orthofix asserted that Hunter misappropriated trade secret information after leaving Orthofix to gain an unfair advantage with his new employer. In response, Hunter argued that the playbook information was not entitled to trade secret protection. Upon consideration of the pleadings, the Northern District concluded that “the playbook information Hunter allegedly misappropriated *can* constitute a trade secret. Compilations of information not singularly protectable can collectively constitute a trade secret.”

Although the playbook’s information could constitute a trade secret, the court held that “Orthofix’s misappropriation claim falls short on the efforts it took (or more appropriately, did not take) to protect the information constituting the playbook.” Accordingly, the playbook’s information could not garner trade secret status. The court ultimately held that “Orthofix took no meaningful steps to collect Hunter’s playbook information, including key contacts and prescribing habits, or otherwise protect itself from exactly what happened here—a salesperson defecting for the competitor with no one able to step up in his place and service accounts.” The court did acknowledge, however, that Orthofix took some efforts to protect the proprietary information.

V. MEANING OF *ORTHOFIX, INC. v. HUNTER*

While Orthofix did not engage in draconian tactics to maintain secrecy, the company utilized three common methods for protecting sensitive information. First, Hunter's signed employment contract containing a non-disclosure clause. Second, Orthofix's sales history and order information were kept in a password-protected computer database. Third, Orthofix's employee handbook and code of conduct informed employees that certain company information was confidential. Specifically, Orthofix's employee handbook stated:

Information obtained, developed, or produced by Orthofix and its employees and information supplied by others for the benefit of Orthofix are confidential. This information should not be shared with anyone outside Orthofix . . . Information regarding Orthofix's research activities, new products, designs, marketing programs, plans, financial information and customer lists are all examples of material that is confidential and considered proprietary to Orthofix. Proprietary information should never be discussed outside of the work environment, and each person who has copies of proprietary information shall be responsible for maintaining the information confidentially.

The Northern District held that Orthofix's efforts did not satisfy the reasonable efforts standard under the OUTSA and Ohio's common law interpretation of the standard. In connection with Orthofix's utilization of a password protected computer database to ensure confidentiality, the court held that "while the sales portal is protected by a username and password, the sales portal was merely a conduit by which the sales representatives submitted orders. The court also noted that Hunter did not utilize the customer database after he left Orthofix. Concerning the non-disclosure agreement and employee handbook, both of which explicitly recognized Orthofix's proprietary information, the court held:

The broad pro-forma employee confidentiality agreements in this case are insufficient to preserve trade secret status. *See Equifax Servs., Inc. v. Examination Mgmt. Servs., Inc.*, 216 Ga.App. 35, 453 S.E.2d 488, 493 (1994). That is not to say that employee confidentiality agreements alone are never adequate to establish a trade secret. But, in this case, where there were no reasonable efforts to enforce the clause or monitor the allegedly protected information gathered by employees, the provisions in the employee agreement, handbook, and Code of Conduct are insufficient.

Two of Orthofix's methods, non-disclosure agreements and password protecting information, have been recognized as reasonable efforts by Ohio courts in the past. The presence of non-disclosure agreements in Ohio trade secret litigation traditionally has been considered a compelling factor in favor of plaintiffs. Prior to enactment of the OUTSA, the Northern District held in *Griff Mach. Products Co. v. Griptron Sys., Inc.* that "trade secrets are protected in Ohio when received under an express or implied restriction of non-disclosure." Furthermore, the Court's conclusion that "broad pro-forma employee confidentiality agreements" are, or can be, insufficient "to preserve trade secret status" has no little precedent under Ohio law.

While not inherently controlling in the *Orthofix* case, it should be noted that in *Kewanee v. Bicron*, Justice Burger, writing for the United States Supreme Court, reasoned that "the protection accorded the trade secret holder is against the disclosure or unauthorized use of the trade secret by those to whom the secret has been confided under the express or implied restriction of nondisclosure or nonuse." Furthermore, in 2010, the Southern District of Ohio reasoned that "the existence of non-disclosure agreements also weighs on" the determination of trade secret status.

In 2001, the Southern District of Ohio reasoned that, under Ohio's trade secret statute, "password protection and limited distribution" were "reasonable [efforts] under the circumstances" to protect trade secret information. The reasonable efforts standard in Ohio, and throughout the country, is assessed on a case-by-case basis. As a common law standard embedded within the OUTSA, courts are able to adapt the standard to changing legal, business, and societal norms. Therefore, it is within the purview of courts to assess precedent in light of case specific facts. However, in the past, Ohio state and federal courts, as well as the United States Supreme Court, have recognized, along with other factors, that the presence of non-disclosure agreements and password protections are compelling when conducting a reasonable efforts to maintain secrecy analysis. In fact, little more than a year before the *Orthofix* decision, the Southern District of Ohio reasoned that "[e]fforts to restrict physical access to trade secrets and requiring employees to execute confidentiality agreements have been found to be reasonable steps to protect trade secrets. The protection of computerized records through password-based access restrictions has also been deemed reasonable protection."

The third effort employed by Orthofix—instructing employees that certain information is confidential through employee handbooks—does not always warrant trade secret protection in and of itself. However, when considered in conjunction with other efforts to maintain secrecy,

many jurisdictions have recognized employee handbooks as part of a cumulative effort to maintain secrecy.

Orthofix challenged the court's holding that the playbook was not entitled to trade secret protection due to a failure to satisfy the reasonable efforts standard. Even though Orthofix's appeal on the trade secret issue ultimately was dismissed as an illegitimate Rule 52(b) motion, the Northern District included the following final dismissal of Orthofix's argument:

Orthofix makes a veiled contention that this Court applied the incorrect standard in its analysis of Orthofix's efforts to protect the playbook, noting that this Court "appears to have applied a higher standard in this case than the standard it correctly applied in *Thermodyn*," even though this Court quoted *Thermodyn v. 3M Co.*, 593 F.Supp.2d 972 (N.D. Ohio 2008) in its Order (Doc. 108 at 11–12). Orthofix further argues that because Hunter signed a confidentiality agreement "Ohio law compels a finding that the playbook was reasonably protected" (Doc. 114 at 8). Not so. In fact, Ohio law states the contrary—the efforts to maintain secrecy must be "reasonable under the circumstances." R.C. § 1331.61(D). A pro forma confidentiality provision alone is not *per se* conclusive evidence an employer took sufficient measures.

After losing the Rule 52(b) motion, Orthofix appealed to the Sixth Circuit, where the court ultimately reversed the Northern District of Ohio's ruling. The reversal, however, was not predicated on Orthofix's trade secret claim, but rather on an ancillary breach of confidentiality claim. The Sixth Circuit held that "we need not reach Orthofix's alternative trade secret misappropriation claim." As such, the Sixth Circuit unfortunately missed the opportunity to provide much needed guidance for Ohio trade secret litigation.

There is room for disagreement in the court's analysis and application of the reasonable efforts standard. For example, the court's reasoning that a password-protected database is "merely a conduit" could theoretically limit the ability of businesses to protect proprietary information via password protection in the future. However, as a whole, the *Orthofix* holding conforms to Ohio's trade secret jurisprudence. The problem is not the Northern District's holding, but rather the confusing nature of the standard itself. *Orthofix* illustrates a critical need for what the Northern District recognizes does not exist: development of a multifactor test that provides "conclusive evidence an employer took sufficient measures" to satisfy the reasonable efforts standard.

VI. OHIO COURTS SHOULD ADOPT A CLEARLY DEFINED MULTIFACTOR TEST ESTABLISHING WHEN A BUSINESS ENGAGES IN REASONABLE EFFORTS TO MAINTAIN SECRECY.

In his seminal critique of trade secret law, *A New Look at Trade Secret Law: Doctrine in Search of Justification*, Robert G. Bone noted “there is no checklist of minimally acceptable secrecy precautions; instead, courts require that the precautions be reasonable under the circumstances.” Nonetheless, trade secret literature is rife with “check lists” and “guidelines” aimed at helping businesses develop strategies to satisfy the reasonable efforts standard. For example, in an *HR Advisor: Legal Practice Guidance* newsletter, author John M. Halan suggested that reasonable efforts to maintain secrecy “can be broken down into three main categories: (1) restricting access to the trade secrets, (2) using agreements to restrict others from using or disclosing the trade secrets, and (3) providing notice of the trade secrets.”

As seen in *Orthofix*, however, these general guidelines often are not helpful for businesses. A prevailing problem with the reasonable efforts standard is the contextual nature of the standard. What might constitute reasonable efforts for one business might not satisfy the standard for another business. For example, critics of the reasonable efforts standard often have lamented that it imposes an undue burden on small businesses, which are not always capable of implementing procedures to protect trade secrets in the same fashion by which large businesses are capable. The dichotomy between appropriate efforts in one industry versus those that are unsatisfactory in another industry presented itself in *State ex rel. Luken v. Corp. for Findlay Mkt. Cincinnati*, a curious case from the Ohio Supreme Court involving public records request, trade secrets, and the livelihood of a Cincinnati marketplace.

In *Luken*, a taxpayer lawsuit was brought under Ohio’s Public Records Act, to obtain “unredacted copies of the lease agreements between the corporation and merchants who sublease retail space” at Findlay Market, a public market owned by the City of Cincinnati and managed by a private corporation. Among other things, the plaintiff wanted to know how much money the various tenants at Findlay Market paid to lease retail space. At issue in *Luken* were the efforts the private managing corporation put forth to maintain the secrecy of certain lease provisions. As the court noted, the lease agreements were locked in a filing cabinet.

However, physically securing the applicable leases was seemingly the only effort the managing corporation took to maintain secrecy. The tenants of Findlay Market were never instructed to keep sensitive lease information secret. The private managing corporation did not have a policy in place ensuring the protection of proprietary information.

Furthermore, some of the tenants at Findlay Market actually knew how much other tenants paid. Ultimately, despite a facial lack of security measures, the Ohio Supreme Court concluded “the corporation has taken reasonable measures to keep the lease terms a secret under the standard precautions for the industry.”

In *Luken*, the trade secret owners objectively put forth fewer efforts than the trade secret owners in *Orthofix* or *Roche*. The attempt by Ohio courts to conform the reasonable efforts standard to industry practice is, at times, beneficial to Ohio businesses. There is, of course, great value in allowing flexibility of the reasonable efforts standard. However, flexibility, in the context of trade secret protection, also can result in uncertainty.

For example, the *Luken* decision did not articulate what the standard precautions for the municipally owned and privately managed market industry were exactly. Presumably, some evidence was offered to the court. Nonetheless, it is not difficult to imagine the complexities of comparing the managing corporation’s actions to the actions of other actors given the unique business model of Findlay Market. Industry practices do not develop in a vacuum. Although certain industry practices may appear commonplace to outside observers, the day-to-day implementation of such practices varies greatly depending on a number of circumstances. Judicial reliance on industry practices to determine reasonable efforts to maintain secrecy is far from scientific and often leads to perplexing results.

In *Luken*, the court found that the single act of placing leases in a locked container satisfied the reasonable efforts standard. Yet in *Orthofix*, the Northern District held that confidentiality agreements, employee handbooks requiring confidentiality, and password protections were insufficient to satisfy the standard. Although the medical supply industry differs greatly from the community marketplace industry, the problem remains the same: Ohio’s approach to the reasonable efforts standard fosters uncertainty in trade secret litigation.

Although the reasonable efforts to maintain secrecy standard in and of itself may not be problematic for Ohio businesses, or businesses around the country, the standard is critical for ensuring businesses do not obtain carte blanche protection for every alleged trade secret. As one commenter notes:

The “reasonable efforts” factor is a meaningful factor in determining trade secret protection for the following three reasons: the amount of effort corresponds to the value of the secret; the protection is afforded only to things that would not be voluntarily or accidentally disclosed; and protective effort provides evidentiary

support to indicate that the information was in fact maintained as a secret and, thus, that the defendant secured the secret through improper means.

Still, uncertainty surrounding the standard has, in many regards, led to a pervasive misunderstanding of the OUTSA and left Ohio businesses vulnerable. In the spirit of amalgamating trade secret law in Ohio, consistent with the OUTSA's intent, Ohio courts should establish a clear multifactor test establishing when an Ohio business satisfies the reasonable efforts to maintain secrecy standard. Doing so would not alter the essence of the OUTSA; Ohio's robust and effective definition of what constitutes a trade secret would still be in place to prevent businesses from abusing trade secret protections. A multifactor test would, however, provide needed clarity for an ambiguous area of law.

A clear multifactor test would foster better business practices, streamline trade secret litigation, and help Ohio businesses and their employees to understand, in a real-world context, what is required to protect trade secret assets. As one Ohio court noted in the late 1960s, the principal problem of trade secret law is that the authorities governing such law—whether statutory, common law, treaties, or layman guidelines—are “vast, bewildering and compromising.” Development of a multifactor test would alleviate such bewilderment. Furthermore, Ohio's trade secret jurisprudence has already provided a framework for developing a multifactor test. As explained more fully below, the Southern District of Ohio's decision in *Hoffmann-La Roche Inc. v. Yoder* provides a ready-made outline for developing a concise multifactor test.

Development of a multifactor test guiding the reasonable efforts to maintain secrecy standard presents numerous questions and concerns. Chief amongst these concerns is identifying how specific the factors should be and precisely how the factors should be implemented. Another prominent concern is whether the examples would be conjunctive or disjunctive; would business have to satisfy every factor or just one to gain trade secret protection? These concerns could be marginalized through compromise. The multifactor test would not need to be overly specific. In order to achieve trade secret protection, however, businesses would have to implement them with consistency. By proffering a clear yet generalized multifactor test—readily followed by all Ohio businesses—Ohio courts could rectify the reasonable efforts standard's ambiguity.

VII. SUGGESTED MULTIFACTOR TEST TO BE USED FOR ESTABLISHING
WHEN THE REASONABLE EFFORTS TO MAINTAIN SECRECY STANDARD IS
SATISFIED.

In *A Statistical Analysis of Trade Secret Litigation in Federal Courts* and in *A Statistical Analysis of Trade Secret Litigation in State Courts*, David S. Almeling and co-authors conducted a statistical analysis to determine what factors generally satisfy the reasonable efforts standard. In both studies, the authors found “that if the trade secret owner takes the following steps, a court is more likely to find that the owner engaged in reasonable efforts: (1) agreements with employees; (2) agreements with business partners; and (3) restricting access to certain persons, such as by adopting need-to-know rules. However, the authors also note that “[g]iven the uncertainty surrounding what constitutes reasonable measures, the time-tested advice is to implement as many protective measures as reasonably possible.”

As seen in *Orthofix*, statistical analysis, trade secret guidelines, or other instructional documents aimed at assisting businesses satisfying the reasonable efforts standard may not always be effective. The inherently situational nature of the standard, as it is now applied, limits the ability of Ohio businesses to implement actions and procedures that can guarantee trade secret protection. As such, Ohio businesses and Ohio’s general economic interest would be bolstered by a clarification of what satisfies the reasonable efforts standard.

The natural place to begin looking for the potential multifactor test is the Southern District’s decision in *Roche*. In *Roche*, the Southern District proffered six factors, either actions or omissions, that are generally indicative of a business’ reasonable efforts to maintain secrecy. These factors are: (1) the presence of a written or oral agreement; (2) facial markings indicating confidentiality; (3) limited dissemination of the proprietary information; (4) internal and external controls over the proprietary information; (5) retrieval of the proprietary information; and (6) warning that the proprietary information is a trade secret.

Not all of the *Roche* factors particularly lend themselves to the development of a multifactor test establishing fulfillment of the reasonable efforts standard; a few of the factors, as developed in *Roche*, are too contextual. However, as a whole, the *Roche* decision encapsulates the type of actions Ohio courts often look to when considering the reasonable efforts to maintain secrecy standard.

As such, this Comment argues that the first four *Roche* factors should be adopted, in some variation, as part of a multifactor test that Ohio businesses can implement to satisfy the reasonable efforts standard. These four factors have been chosen primarily because they are

relatively universal actions that could be readily applied by most businesses, both big and small. Furthermore, these factors are supported by Ohio's trade secret jurisprudence.

The first factor, presence of a non-disclosure agreement, often is viewed as indicative of trade secret protection. Non-disclosure agreements, even broad ones, put employees on notice that certain information learned or used during the scope of employment is protected. This step is critical for establishing knowledge of the existence of trade secrets and protecting that information. The second factor, facial markings indicating confidentiality, has not been considered in Ohio trade secret disputes at great length. However, by marking trade secret information as protected, businesses are able to signal to employees that information is proprietary through cost effective and specified means that may be lacking in a non-disclosure agreement.

The third factor, limited dissemination of the proprietary information, is a bedrock of trade secret law that needs little justification. It is well established under Ohio law that "once material is publicly disclosed, it loses any status it ever had as a trade secret." Arguably, this factor is more related to the threshold determination of a trade secret itself rather than determining whether a business engaged in reasonable efforts to maintain secrecy. However, limited distribution of information is an age-old standard that should be analyzed under the reasonable efforts standard.

The fourth and final factor, internal and external controls over the proprietary information, encompasses the property interest aspect of trade secret protection. Still, the existence of physical or digital protection over trade secret information has recently diminished in Ohio trade secret jurisprudence. In *Aubin Indus., Inc. v Smith*, the Southern District of Ohio recently held:

Although plaintiff kept its facilities locked during non-business hours and kept its drawings and computer secured, these are typical precautions that any business owner would be expected to take for simple security purposes. Plaintiff has not shown that it enacted any measures beyond these to protect the secrecy of its manufacturing process.

Physical and digital security may not alone satisfy the reasonable efforts standard. However, such effort should be recognized in conjecture with the other three factors as a hallmark of trade secret protection. While security measures such as password protected databases or locked filing cabinets may be commonplace, they are no less indicative of a business's desire to secure information against

misappropriation.

Factors five and six are often important steps required for protecting trade secret information. However, these factors arguably are too nuanced to be incorporated into *per se* examples. For example, in *Roche*, the court held that Roche failed to satisfy the factor five—that the plaintiff make efforts retrieve the information—because Roche was aware Dr. Yoder intended to publish articles highlighting dangers of Accutane, yet did nothing about it and waited to file a lawsuit against Dr. Yoder. Arguably, most plaintiffs would satisfy this factor by virtue of filing a lawsuit against a defendant suspected of misappropriating trade secrets. Though other efforts could undoubtedly be made to secure trade secret information, such actions would be too specific to warrant a generalized rule.

Factor six, while also important, is largely redundant. By entering into an oral or written agreement with an employer, a plaintiff should be viewed as having received sufficient notification of trade secret status. Of course, the *Orthofix* holding tends to state otherwise, as the court made much ado about the fact that Hunter was never directly told that the playbook contained trade secret information. However, this sort of repetitiveness seems unnecessary. The protection of trade secret information should be viewed through the lens of real world business practices, not the particularities of what should or could have been done. Businesses should be viewed as having adequately informed employees that information is a trade secret once the four *Roche* factors are implemented.

Requiring businesses to constantly remind employees that information is subject to trade secret protection is overly burdensome and unnecessary. As Judge Posner once reasoned, “if trade secrets are protected only if their owners take extravagant, productivity-impairing measures to maintain their secrecy, the incentive to invest resources in discovering more efficient methods of production will be reduced, and with it the amount of invention.”

The influence of the Northern District’s *Orthofix* holding on Ohio trade secret jurisprudence remains to be seen. Although the standard imposed by the Northern District is not “extravagant” or “productivity impairing,” as Judge Posner warned against, the *Orthofix* holding calls for concern. Ultimately, the *Orthofix* holding signals a significant narrowing of Ohio’s reasonable efforts to maintain secrecy standard. As such, this Comment argues for either an amendment to the OUTSA, or, conversely, establishment of clear and decisive precedent to provide a multifactor test Ohio businesses can take to ensure satisfaction of the reasonable efforts to maintain secrecy standard. A prudent place to find such a multifactor test is four of the six factors developed in *Hoffmann-*

La Roche Inc. v. Yoder.

VIII. CONCLUSION

Ohio has long been an epicenter of American trade secret law. As one empirical study of trade secret litigation found, Ohio state courts preside over ten percent of the nation's state court trade secret litigation, which is third nationally behind only California and Texas. As this Comment indicates, federal courts in Ohio also considered a great deal of trade secret litigation. The benefits of enacting a clear standard for what satisfies the reasonable efforts standard to maintain secrecy are multifold for the state of Ohio.

First, and most importantly, such action would ideally allow businesses to concretely understand what is required for satisfying the reasonable efforts standard. Second, a clear standard ideally would eliminate a contentious and oftentimes ambiguous aspect of trade secret litigation. Instead of ambiguously determining whether a business's efforts were reasonable, a clear multifactor test setting out explicit steps that can be taken to safeguard proprietary information could reorient the OUTSA. Ideally, a well-developed multifactor test would allow courts to succinctly apply the OUSTA when determining whether the information itself is worthy of trade secret protection. Third, a multifactor test would further enforce the spirit of Ohio's trade secret jurisprudence by helping businesses protect proprietary information. Lastly, such change would perpetuate openness and accountability in trade secret protection practices.

In summary, a clear multifactor test would allow businesses to be more direct and open with employees about what information is protected and what information is not. In doing so, employers and employees ultimately would benefit from clearer acknowledgement and understanding of increasingly complicated business relationships in the modern age. Development of a multifactor test that could satisfy the reasonable efforts standard is an important step for clarifying an increasingly ambiguous area of Ohio trade secret jurisprudence. Such a test would not significantly alter the OUTSA, but rather strengthen the act by making the standard accessible and clear for employers, employees, attorneys, and judges throughout the state of Ohio.

